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INCOMING TELEGRAM

Department of State

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FROM: Benghazi

TO: Secretary of State

NO: 254, November 21, 3 p.m.

SENT DEPARTMENT 254, REPEATED INFORMATION PARIS 26, WIESBADEN 10, BONN UNNUMBERED, TRIPOLI UNNUMBERED.

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PARIS FOR WEST.

BONN FOR CINCUSAFE

Called on Prime Minister November 20 to continue discussions US Libyan economic collaboration. While I received some assurance regarding speech from throne (to be reported separately) Kubar unwilling discuss base agreement and financial arrangements connected therewith until after we had studied his note this subject which he handed me in Arabic at end our meeting. Following are main points which insubstance request review and revision of financial aspects of base rights agreement of 1954:

1. International developments and administrative, political and sociological evolution Libya since conclusion agreement September 9, 1954 caused continued increase in expenditures GOL.

2. View changed circumstances GOL requests US enter into negotiations for reconsidering agreement and adapting it to new situation. GOL of opinion two points worthy reconsideration: (A) Nature of "gxedsuy" made under existing laws in return for use bases placed its disposal Libya, and (B) value Libyan services rendered

3. GOL views economic assistance provided for paragraph (6) note to Libyan Prime Minister September 9, 1954 as unconditional payment

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payment to GOL in return for use military bases. GOL therefore of opinion all such funds, in amounts to be agreed upon, should be included as receipts in Libyan budget because of increased expenditures and fact British assistance no longer sufficient meet budgetary deficit.

4. Accordance paragraph (C) amount paid by US will be reduced 1960 to $1 million annually, whereas amount already received over previous six years has not achieved what Libya hoped for in development economy and improving public utilities. Libya still in dire need large amounts money enable it realize numerous development and economic projects.

5. GOL believes unconditional allocation specified sum for period of agreement will have great effect on political and security situation in country and consideration should be given political factors which helped bring about changed international circumstances such as:

(A) Recent change Soviet policy Arab world which arms create tension this sensitive area and which led GOL necessity strengthen internal security, thus creating increased financial obligations.

(B) Development inter-continental missiles and threat of using them against bases Europe and North Africa had bad effect on Libyan people who began realize dangers to which subjected as result presence military bases populated areas. Libyan people also begun realize services made available to USG not appreciated Washington; hence insufficient assistance received for developing economy and raising standard living despite following circumstances: (1) Large quantities goods imported duty free for US military forces illegally smuggled public markets resulting loss revenue and creating competition local merchants; (2) growth Wheelus base has increased demands on public utilities requiring additional expenditures improvement and maintenance ports,

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ports, airports, municipal utilities, etc.; (3) expansion of area of base has restricted agricultural activity particularly in coastal area near Tripoli. Compensation paid has not filled gap created by loss lands.

6. GOL confident USG will appreciate circumstances and factors that led it make this request and hopes negotiations will bring about results desired by Libyan Government and people which will be of interest both countries.

Comments and recommendations will follow.

JONES

DHP/AAL/UE/11

* As received. Verification upon request.

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